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R. Pinheiro Chagas, 77 - 3° E, 1000 Lisboa, Portugal
Tel.: 352 8718; Fax: 353 4009; Email: cdpm@gn.apc.org

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VISION FOR A NEW PACIFIC COMMUNITY

Winston Lord, Assistant Secretary for East Asian and Pacific Affairs
(Opening statement at news briefing, Washington, DC, August 31, 1993)

You have various handouts for your background information. I'm going to make some brief, informal opening remarks to try to give you a conceptual framework of this Administration's policy toward East Asia and the Pacific; and, indeed, when we get to your concrete questions, there will be a framework for you to consider them in.

In chronological order, the handouts include my own confirmation statement, where I began to sketch possible contours of our attitude toward Asia: then, of course, the authoritative blueprints of the President's two speeches on his July trip to Japan and Korea; and then Secretary Christopher's on-the-record remarks in late July in Singapore at the ASEAN Post-Ministerial Conference (PMC). So these will give you some of the basic elements of our policy as they have been set forth in an authoritative fashion.

Reasons To Emphasize the Asia-Pacific Region

From the outset, the President and Secretary Christopher have seen the Asia-Pacific region as the most promising and dynamic area for American foreign policy. Other regions, of course, are very important but inevitably involve much attention to inherited or residual or historical problems-- whether it is Central Europe or the Middle East--which tend to dominate the headlines. I think there are three reasons for this emphasis that you are going to be seeing on the Asia-Pacific region.

First, in that area, you can look toward the future, and this is the President's vision of a New Pacific Community. There are problems of security; but, essentially, again compared to other regions, it is a fairly stable area. It's got the most dynamic and fastest-growing economies. There are certainly many repressive states still out there. But democracy, in many areas, is on the move, not only in recent years--like South Korea, Taiwan and the Philippines and in Thailand--but even now, whether you range from Mongolia to Cambodia. Some of this is fragile, but the trend is promising. There are some promising regional structures both on the economic and security side, and then there is the emerging integration of this vast region through trade, investment, and technology.

A second reason for emphasis is that the Asia-Pacific region is the most relevant to the President's highest priority--namely, his domestic agenda: the renewal of the American economy, getting the deficit down, getting more competitive, and promoting jobs and exports. This region is the most lucrative terrain for American jobs and exports because of its rapid growth. I think you are familiar with the figures. It contains almost one-half the world's GNP, $120 billion of U.S. exports, 2.3 million jobs, three times our trade with Latin America, and almost 50% more trade than we have with Western Europe.

And finally, another reason and opportunity for emphasis in our policy toward this region is that there are several key events on the calendar this year--the first year of the Administration--which are enabling the President and the Secretary to lay out a vision for this area and to begin to implement it.

* For example, there was a 1-in-7 chance that the G-7 would be held in Tokyo; and, therefore, the President got out to Asia within the first 6 months of his Administration--early July--in this case, Northeast Asia.

* In late July, Secretary Christopher went to Singapore, Southeast Asia, for the ASEAN Post-Ministerial Conference.

* This November, there was a 1-in-15 chance that we would be hosts to the APEC annual meeting--and we will, in Seattle--which, of course, includes the entire region.

* If you throw in the UN General Assembly and Washington, DC, and Seattle bilateral meetings--beginning with a very important visit of Prime Minister Keating of Australia in a couple of weeks--there are lots of opportunities, as I say, to begin to lay out this Pacific Community.

Thus, in the first 6 months, not only has the President been out to the Asia-Pacific, Secretary Christopher has been there three times, the three top Defense officials have been there, Deputy Secretary Wharton, four Under Secretaries of State, I've been there four times, etc.

Basic Blueprint for a New Pacific Community

Now the basic blueprint for this New Pacific Community--which is just beginning to emerge--was laid out, as I said, in the two speeches you have: Japan, with its emphasis on economics; Korea, with its emphasis on security; and both, with the common thread of democracy important to both security and economics.

Now, in the next 3-1/2--or perhaps 7-1/2--years, we plan to flesh out this Pacific Community. I want to emphasize from the beginning, this is not an American blueprint. We will develop this in concert with our Asia-Pacific partners. We will show leadership, of course, but we also will be attentive in our style. We believe the President was that way on his trip. Secretary Christopher was certainly that way as well in Southeast Asia So we want to consult with others as we shape this vision, and so we are going to strike a balance between--as I say--leadership and listening to our friends. And we are hard at work within the State Department and with other agencies in implementing this vision and talking to other countries.

Economics** On the economic side, the speech--again, I won't go over it in detail, because you have the text, and many of you have covered this already. But it rests--as so much of our Asian policy does--on the U.S.-Japan relationship, the most important bilateral relationship, certainly, in the region if not in the world; on open markets, which is the reason for the dynamic growth of the region; plus on democracy in open societies. We are addressing the economic challenges in Asia on three levels.

* The global approach is still our highest priority; namely, the Uruguay Round and the GATT. We are not interested in regional trade blocs; we want to head them off And the market access agreement in Tokyo was a significant step forward.

* On the regional level, APEC-- which I have mentioned--we see as the cornerstone of a possible regional cooperation on economics. I might add that in October there will be the first Joint Commercial Commission meeting of all the leaders of the Pacific states.

* On the bilateral level, you have the U.S.-Japan framework talks, with a major agreement with former Prime Minister Miyazawa in July. Just next week, a U.S.-Korean dialogue for economic cooperation will be launched. This, again, was agreed upon by Presidents Kim and Clinton in Korea. On China, we set forth our basic policy with respect to economics and other issues, on MFN, and many other important bilateral economic dimensions.

We will work very closely with the private sector in developing this area of our relationships. For example, we have advisory councils on ASEAN and APEC.

Security** On the security side, outlined by the President in Korea, we are making it very clear--the President has made it clear, Secretary Christopher has made it clear, and the rest of us, as well--that we are going to stay on in Asia in our own self-interest, not just as a favor to others. But, clearly, we are wanted by others to stay there as a stabilizing force. So the bedrock and the continuity elements of our security relationships in Asia will be our alliances, as well as a forward military presence. If you notice, as the defense budget has been cut, the cuts are coming out of Europe and out of our own domestic bases. We are maintaining our force levels in Asia. In addition, after the closure of the Philippine bases, all the ASEAN countries have been cooperative in new defense arrangements--not treaty alliances but giving us access, joint training, ship repair facilities, etc.

Those are elements of continuity and some movement forward, but on top of that is a new emphasis in this Administration on regional security dialogues. These will supplement, they will not supplant, our alliances and forward military presence. It is on top of those foundations that we pursue these dialogues.

The ASEAN PMC is already a going and promising framework, where I attended a senior-level meeting and the Secretary the Ministers' meeting A potential turning point was achieved in late July when these dialogue partners--seven countries plus the six ASEAN countries--agreed to begin integrating China, Russia, and Vietnam, as well as Laos and Papua New Guinea, who were observers to ASEAN, into this regional dialogue, a potentially significant step. This will not necessarily be the only framework for security in Asia. All of this is dialogue and incremental progress, perhaps moving toward structures. But, for example, we may need dialogue and structures in Northeast Asia, and we want to pursue academic as well as governmental tracks.

The point here is that, unlike the Cold War and unlike Europe, we are not talking about blocs against each other or some common enemy. We are talking about potential antagonists, potential enemies, talking to each other to convey intentions, to be more transparent--whether it is arms buildups or territorial claims--to ease tensions, to erase misperceptions, and, perhaps, to start building confidence. That's the point of these regional dialogues, and that's a different kind of regional security concept. We are talking, really, about preventive diplomacy.

The other element of security that the President outlined is non-proliferation. This, of course, is a global issue. The President recently made a dramatic initiative with respect to a test moratorium and going for a comprehensive test ban, and we are looking for indefinite extension of the Non-Proliferation Treaty. We are attacking, of course, weapons of mass destruction, in particular, and at every level we can see both challenges and problems in negotiations:

* Of course, the nuclear issue with North Korea, when we talk about nuclear weapons. When you are talking about missiles, that involves North Korea as well;

* China--the recent imposition of sanctions on M-11;

* The deal between Russia and India that we talked about; and

* Chemical weapons have to do with transshipment and increasingly sophisticated technologies, including in SE Asia, which makes this a new non-proliferation problem in the region.

There was a great deal of talk about non-proliferation at the ASEAN Post-Ministerial Conference.

Democracy** Finally, democracy is key to both the economic and security realms. On the economic side, in an age of information and technology, we believe you can't have open economics and closed politics. You need to have access to information to develop and modernize. We are talking about modernization now, not Westernization.

For example, how do you attract investment without the rule of law? How do you attack corruption without a free press? How do you make progress in complex economic issues unless there is free debate in a society? So, maybe for a while, you can get along with authoritarian political systems and open markets and open trade systems, but it won't last for very long, in our view. So we think open societies make for greater development in modernization.

Equally, on the security side, the fact is that open societies make for a more stable and secure region and a more stable and secure world. Democracies do not attack each other. They make better neighbors. They don't practice terrorism. They don't produce refugees. They don't traffic in drugs.

So this is not a matter of values being replicated and projected by us; it's a matter of our own concrete, national self-interest. And it's relevant, as I said, to both economics and security. We would like to see the promotion of human rights and democracy be more multilateral, not just a U.S. initiative. And the role of private organizations--whether it is the National Endowment for Democracy or other non-governmental organizations--is very important, as will be Asia Democracy Radio.

Global Issues** A final dimension that will be increasingly important, we believe, over the coming years will be some of these global issues. After all, this region contains almost one-half the world's people, with a great impact on resources and the environment-- whether it is coal burning or forests or endangered species. It is already on the agenda with the Japanese. Under Secretary Wirth will be launching discussions soon with them on that. We'd like to begin environmental talks at some point with China, which will play a very important role. Whether it is refugees and smuggling of aliens or narcotics in Southeast Asia or the global scourge of AIDS--all of these have an impact on our society. All of them could benefit from regional cooperation.

Conclusion

In conclusion. and in short, we are seeking to build with other--again, we do not have all the answers; we are going to shape this with the cooperation of our friends--we are seeking to build a Pacific Community. This will take many years if not decades. And it is one of prosperity based on free markets, of regional security based on preventive diplomacy and the control of dangerous weapons, and of free and humane societies addressing global issues.

And I would add, as a footnote in concluding, that the single most important event coming up, certainly in the economic area, will be in November in Seattle, where we will have the annual APEC Ministerial Conference. And we have been consulting with other countries to have that followed by a leadership conference--leaders from the 10 members of APEC in an informal session looking at economics and looking at the future of the region.

This could be a historic event, and we are very encouraged by the reaction we have received from our APEC partners. We see this as a U.S. initiative in this case, because we're the host this year. But I want to stress that in APEC, as in other areas of our Asia-Pacific policy, this is a collective, consensual effort with the other countries of the region. []

SOUTHEAST ASIA ENJOYS ECONOMIC SUCCESS AT GREAT ENVIRONMENTAL AND SOCIAL COSTS

In changing from an agriculture-based economy to an industrial one, Southeast Asia has incurred great environmental and social costs, borne mostly by the poorest sectors of the population.

By Chee Yoke Ling
Third World Network Features

Protest against a dam to be built on prime farmland led to the killing of four villagers on the island of Madura, off eastern Java. More than one million farmers in north-east Thailand were faced with massive displacement to make way for large-scale tree plantations to supply pulp for the global paper industry. Defence of ancestral lands against logging in Sarawak, Malaysia saw more than 400 indigenous villagers arrested since 1987. Indigenous women who decry toxic pesticide poisoning in the Philippines were threatened with a lawsuit by Hoechst, one of the world's biggest chemical transnational corporations.

Such stories of intense tussle over land rights and access to natural resources, livelihoods and health are erupting more and more in the cauldron of rapidly industrialising Southeast Asia, in its transformation from essentially traditional, agricultural societies to intensive export-oriented economies.

The changes have been traumatic for the environment and local populations. Structural shifts in resource use and perceptions of nature, and escalating materialism among a growing urban middle class are driving to the surface fundamental clashes between those who benefit from the economic success and those who are victimised.

A familiar lament from farmers and indigenous peoples is: 'Our land, our forest are more than what you see. They are our life, our spirit. We are only guardians.' The equally familiar reaction is: 'These selfish and ignorant people are obstacles to development.' In that confrontation, NGOs and peoples' movements (farmers, fishermen, indigenous peoples) have emerged. Their roles range from mediators to protagonists.

The rise in public protest is tied to the stages of development. When primary resources were first exploited, populations who traditionally lived in forests and coastal areas were the direct victims. Once rich with tropical forests, Thailand and the Philippines have logged so much that they have not only lost a valuable heritage of biodiversity, but face severe water shortages and regular floods without the forest to play its ecological functions.

Sadly, the lessons are not learnt, and we find that the same short-term exploitation continues in Malaysia and Indonesia. Consequently, water shortage and water pollution caused by industrial/urban growth are on the rise. NGOs and even some officials in the region anticipate deeper water crises in the next decade.

In the farming communities, time-tested traditional systems of agriculture have been largely displaced by the promised technological miracle of the Green Revolution. The result is a wiping out of seeds diversity from farms, a growing dependence on chemicals which do not work but instead injure and even kill farmers and agricultural workers, soil made infertile by the use of chemicals and machinery, and huge irrigation and drainage systems which are failing.

The Food and Agriculture Organisation (FAO) and the International Rice Research Institute (IRRI) have in the past year officially acknowledged that the Green Revolution has failed. IRRI has even stated that rice production has been dropping 1-3% per year in those fields.

In the Philippines, farmers' movements together with enlightened scientists and NGOs have begun to successfully return some farmlands to healthy production by combining traditional knowledge and practices with new understandings of the environment. This has perhaps been possible owing to the less vigorous pace of development in the country.

By comparison, farmers in Thailand, Indonesia and Malaysia find their lands increasingly targeted for conversion to more lucrative development projects. The intrusion of industrial zones into rural Malaysia is a major cause of declining farmland. The demand for infrastructure -- highways, dams for energy and water to feed industry and cities, airports -- is also eating away at rural lands and destroying watersheds and fragile coastal areas. Environmentalists argue, with strong documented evidence, that mega-dams have an unmitigated record of problems. Local populations refuse to be displaced. The Pak Moon Dam in Thailand, the Nipah Dam on Madura island and the revived Bakun Dam in Sarawak are but some hot spots of contention.

Where agriculture is promoted, it is inevitably export-looking, too. Monoculture crops (oil palm, cocoa, trees for pulp), horticulture, exotic fruit and vegetable production as well as aquaculture open up environmentally sensitive areas such as forests and wetlands. These projects also threaten local food production and marginalise small farmers and fishermen.

In Malaysia, the clearing of forest in a watershed in the Kinta Highlands for growing temperate flowers for export, and the clearcutting of 5,000 acres of intact peat swamp forest in Pahang for the world's largest eel farm owned by a Taiwanese company, hit the national news in 1993. Local fishermen and NGOs in southern Thailand have been fighting for the last few years against large-scale shrimp culture which is leaving in its wake environmental disasters and impoverished coastal communities.

The latest area of conflict is golf course and resort development. Rapid industrialisation in Southeast Asia inevitably brings with it recreational facilities which are an obsession with the Japanese investors who are major players in the region's growth. Golf courses and related tourism development have created land conflicts with local rural people, destruction of forests, coral reefs and other sensitive environments as well as water contamination from sewage and the massive amounts of toxic chemicals used for greens. These projects also promote an elitist lifestyle at the expense of the needs of poor people and the environment, and as more business deals are struck on golf courses than in boardrooms, the rising elite of Southeast Asia is fast adopting a similar lifestyle.

This trend is the subject of growing protest. In Singapore, plans to build a golf course in a reservoir catchment area were dropped. Public protest following complaints of safety hazards by pilots in Malaysia resulted in the halting of night golfing near the Subang International Airport. The Department of Environment is, for the first time, taking to court a golf course developer who did not conduct an environmental impact assessment before bulldozing forest in Fraser's Hill, causing tremendous soil erosion.

In Indonesia, a coalition of NGOs is working with affected communities to prevent golf course construction on farmlands and environmentally sensitive areas. New regulations were enacted in Java in May 1993, but construction of approved projects continued. Protests by farmers, human rights activists and senior lawyers were met with arrests and harassment.

The scale of the golf course problem saw the launching of the Global Anti-Golf Movement (GAG'M) in April 1993. NGOs from the Asia and Pacific region hope to strengthen their efforts to stop destructive projects, defend the rights of affected communities and lobby for government regulations.

Industrialisation itself has spewed pollution on an unprecedented scale in the region. Bangkok, Jakarta and Manila are recognised pollution hazards. Even Kuala Lumpur, a much smaller city by comparison, is now heavily polluted, with acid rain detected by the authorities.

While Singapore has been forced by its size to enforce strict environmental regulations, it has been caught 'dumping' its toxic industrial waste in Indonesia and Malaysia. In every country, the safe disposal of toxic wastes is now a major problem. Landfills and incinerators are hazardous, as shown by the experience of industrialised countries. Hence the huge export (often illegal) of wastes to the South.

Countries in the South have been alerted to such dumping and to circumvent import bans and restrictions, transnational corporations are relocating the industries themselves. This reduces the waste disposal problem in their own countries, and relieves pressure from their own public against unsafe factories and technologies. The phasing out of hazardous chlorine-based industries in Europe and North America, for example, is leading to their export to Southeast Asia. Screening investments and technologies for their environmental and social impact must thus be a priority for the region.

In light of this, one of the major principles adopted by heads of state at the Rio Earth Summit in June 1992 was that there should be no dumping of banned or restricted products, technologies, industries and wastes to developing countries. NGOs have played an important role in alerting governments, as seen from the extensive work of the Consumers' Association of Penang (Malaysia) which has exposed double-standards in the export of pharmaceutical drugs and pesticides, non-disclosure of vital information in waste treatment and toxic industries. In the Philippines, scientists from the NGO community have contributed to laws which assess and screen hazardous technologies.

In September 1993, the ASEAN (Association of Southeast Asian Nations) Inter-Parliamentarian Organisation's 14th General Assembly held in Kuala Lumpur adopted a resolution calling for a Convention prohibiting the import into and transboundary movement of hazardous and toxic waste in the Southeast Asian region. The Joint Communique also called on the respective Governments to prohibit the import and transboundary movement of all hazardous waste for any reason into the ASEAN countries as a first step. The members expressed concern at the rise in dumping of waste by industrialised countries in the South, and referred to reports of international NGOs such as Third World Network, Greenpeace and Friends of the Earth.

It is unfortunate that while awareness (or at least, national debate) seems to be growing in Southeast Asia, companies from some of these countries have also started to spread their wings to less developed countries where natural resources await exploitation. Thus, Thai logging companies, after wreaking havoc in their own country which led to a logging ban, now plunder the forests of Burma and other countries in Indo-China. Shrimp culture is also expanded by Thai companies in Malaysia.

Meanwhile, Malaysian loggers, especially those from Sarawak, are in Laos, Cambodia, Papua New Guinea and Guyana. In the PNG, Rimbunan Hijau, a Sarawak-based company, is believed to control, directly and indirectly, up to 80% of the forest concessions in that country. Local protest against environmental damage and violation of local landowners' rights is mounting.

The challenge for the little tigers or dragons of the region is thus two-fold: how to resolve the growing conflicts at the national level, and how to avoid victimising less developed countries. -- Third World Network Features

About the writer: Chee Yoke Ling is Secretary of the Asia-Pacific People's Environment Network (APPEN).

THE IMPACT OF LOWER OIL PRICES ON SOUTH-EAST ASIAN ECONOMIES

Oxford Analytica

SIGNIFICANCE:

Lower oil prices can be expected to benefit net importers. Concentration on downstream and refinery operations means that net exporters will not suffer unduly.

ANALYSIS:

The fall in world oil prices can be expected to improve the trade balances of the net oil importers (Singapore, Thailand and the Philippines) and detract from export receipts for the net oil exporters. However, countries such as Indonesia and Malaysia -- the two largest oil exporters in the region -- have become increasingly less dependent on oil. Since their economic growth is increasingly spurred by manufacturing exports, they will benefit from improvements in the economies of their trading partners (notably Japan, the United States, the European Union and the NICs) prompted by lower oil prices.

Higher demand for oil will also shift trade balances. In 1993, oil consumption in ASEAN and Vietnam was about 2.4 million barrels per day (bpd), up 5.7% on the previous year. It is estimated that these countries will consume about 2.8 million bpd in 1995 and about 3.6 million bpd in 2000.

Indonesia. Despite a continuing decline in oil exports because of increasing domestic demand and relatively flat production, Indonesia remains the largest exporter in Asia. Current production is around 1.5 million bpd, second in Asia only to China. Oil exports are currently around 770,000 bpd, a decline from around 900,000 barrels in 1991. However, Indonesia also imports around 160,000 bpd, especially from the Middle East, to produce lubes and asphalt.

Domestic petroleum product demand has been increasing rapidly, while economic growth has been fairly strong as a result of an average annual increase in manufactured exports of around 20% since 1987. Total product demand is currently around 780,000 bpd, while consumption has registered average annual growth of 8.7% since 1990. This situation is exacerbated by the imbalance between the supply from domestic refineries and the demand for certain products. The result is a need for imports of about 100,000 bpd. Almost all of this is supplied from Singapore, and around two-thirds is diesel.

Overall production is expected to decline naturally after 1995, so if this demand trend continues, Indonesia is expected to be a net oil importer as early as the end of this decade.

Petroleum product prices are still regulated and keeping them lower than international market prices requires a government subsidy. Lower world prices result in lower subsidies, which in turn will have a direct positive impact on the economy. Yet in the short term, there is likely to be a negative effect on this year's fiscal position because budgetary calculations were based on a higher average price (see OADB, January 10, 1994, III).

Low oil prices also discourage exploration. Indonesia might have to give more lucrative incentives for exploration contracts to compete with other nations in attracting investments in the upstream oil sector. However, the outlook for natural gas production is bright.

Lower oil prices will marginally reduce the surplus in Indonesia's trade balance in the near future. However, economic improvements in the country's manufactured export markets, which in part will be helped by lower oil prices, will benefit it.

Malaysia. Here, a similar situation is arising, although on a lesser scale. Malaysia exports around 430,000 barrels of crude from total production of around 670 million bpd. Production is expected to peak in the near future and then to decline, while domestic consumption is rising quite rapidly.

Malaysia is likely to become a net importer shortly after Indonesia. Domestic consumption of oil products is currently around 290,000 bpd, around 50,000 barrels of which comes from imports, mostly from Singapore. Consumption has been rising at an average annual rate of about 9% since 1990.

In the short-to-medium term, Malaysia's trade balance will not be affected, since the effect of lower oil prices will be offset by a higher volume of liquified natural gas (LNG) exports. Again, manufactured exports will flourish because of the better economic state of its trading partners.

Vietnam. In contrast to Indonesia and Malaysia, Vietnam's oil production is rising. The outlook for increasing oil exports is quite bright, despite the expected rapid increase in domestic consumption (from a relatively small base) which will accompany the economic growth expected from reform.

Oil production is expected to rise from the current level of around 120,000 bpd, which could be more than doubled by the end of the decade. Domestic product demand is currently about 90,000 bpd and an average annual increase of as much as 10% until 2000 is conceivable. Vietnam has no refinery yet, so refined product demand is met by imports, mostly from Singapore. Yesterday's lifting of the US trade embargo should also spur the development of the oil sector.

Brunei. This oil-dominated economy may be the hardest hit of all by lower oil prices, although it will remain a wealthy country. It currently exports 150,000 bpd, a figure which is unlikely to change before the end of the decade.

There could be a marginal increase from the current production level of 155,000 bpd, while current domestic product demand is relatively modest at about 7,000 bpd. Thus, an average price decrease of 10 cents a barrel would drain away 5.5 million dollars a year in potential export receipts.

Singapore. As much as 1 million bpd are imported for the refining industry, so lower oil prices will improve the trade balance. Domestic product consumption is around' 420,000 bpd, whereas the refining industry continues to cater for increasing petroleum product demand in the rest of Asia-Pacific.

The refining business is expected to flourish as lower oil prices generally increase gross margins. This will be exacerbated by the tight supply of products such as diesel, which should enjoy increased prices in the international market.

Thailand. As a net oil importer, Thailand's trade deficit and current account will be improved by lower prices. Current imports are slightly in excess of 300,000 bpd of crude oil plus around 180,000 barrels of products. Domestic oil production of around 50,000 bpd (about 50% each of crude and condensate) is too small to have an impact on domestic demand. Domestic product consumption, currently around 530,000 bpd, has experienced the highest level of growth in the region, at an annual average of more than 10% since 1990.

Domestic refineries will have additional capacity of around 100,000 bpd on stream by 1995 and up to three more refineries are planned by 2000. This will provide a total of around 280,000 bpd of capacity, and lead to higher crude imports. However, the impressive growth of manufacturing and higher levels of other traditional exports will counter the effects on the trade balance.

Philippines. Crude oil imports are currently around 225,000 bpd, whereas product imports are around 75,000 bpd. Domestic consumption is currently around 280,000 bpd, and is expected to increase in the range of 3-7% annually until 2000, depending on the country's economic performance.

CONCLUSION:

Increased exports of manufactured goods and economic improvements in export markets are mitigating the effects of lower oil prices.

INDONESIA ECONOMIC POLICY AND TRADE PRACTICES

U.S. Department of State
Date of record:04/27/1992

Key Economic Indicators

(Billions of 1983 Rupiah (RP) Unless Otherwise Noted)

	1989	1990	1991 (est)
Income, Production and Employment			
Real GDP	107,321	114,921	122,391
Real GDP Growth (pct)	7.4	7.4	6.0
GDP by sector			
Agriculture	22,086	22,645	N/A
Mining and energy	16,727	17,198	N/A
Manufacturing	19,836	22,182	N/A
Electricity, gas, water	616	720	N/A
Construction	5,878	6,587	N/A
Retail trade and hotels	17,230	18,772	N/A
Transport and communications	5,667	6,207	N/A
Banking	4,228	4,812	N/A
Real estate	2,880	3,012	N/A
Government	8,397	8,887	N/A
Other services	3,716	3,909	N/A
Real per capita income (Rp '000)	613	588	631
Labor force (mils)	73.6	75.9	78.2
Unemployment rate (pct)	3.10	3.26	2.8
Money and Prices			
Money supply (Ml) (pct) 1/	39.8	18.4	6.1
Interest rates 2/	12.4	14.5	17.7
National savings/GDP (pct)	21.4	21.4	22.0
Investment/GDP (pct)	23.5	24.6	25.0
Consumer price index 3/ 4/	337	115	126
Change in CPI 4/	6.0	9.5	9.5
Wholesale price index 5/	162	178	185
Exchange rate (Rp/$) 6/	1,770	1,843	1,950
Balance of Payments and Trade (US$ million)	1989	1990	1991
Exports FOB 9/	22,974	26,807	14,300
Oil and gas 9/	8,914	11,931	6,000
Non-oil/gas 9/	14,060	14,876	8,300
Imports FOB 9/	-16,310	-21,455	-12,200

Oil and gas 9/	-2,406	-3,222	-1,700
Non-oil/gas 9/	-13,904	-18,233	-10,500
Services (net) 9/	-7,944	-8,592	-4,700
Current account	-1,280	-3,240	-2,500
Annual official debt service	6,845	6,645	7,196
Exports to U.S. FOB	3,497	3,365	3,400
Imports from U.S. CIF	2,218	2,520	1,990
U.S. direct investment	3,770	3,827	N/A
Official reserves (end of period)	6,562	8,661	9,754
Total foreign assistance 8/	4,297	4,156	4,750
of which U.S.	90	135	138

1/ Annual growth rate, except for 1991 which is first half of 1991 over first half of 1990.
2/ Interbank funds rates; 1991 rate is January to June average.
3/ End of period. For 1989, FY 1977/78 equals 100; starting 1990, FY 1988/89 equals 100; due to change in basis of calculating CPI, comparable data for earlier years are not available. Fiscal year is from April 1 to March 31.
4/ First nine months of 1991.
5/ 1983 equals 100; end of year except for 1991 which is end-June.
6/ Period average; for 1991, period is January to August.
7/ Whole year totals.
8/ Total is amount pledged at the annual Intergovernmental Group on Indonesia (IGGI) donors' meeting (does not include all special assistance and aid outside the IGGI context.)
9/ Jan-Jun 1991 total only.

1. General Policy Framework

The principal objectives of the Indonesian government's economic policies are twofold: to reduce the country's reliance on the oil sector as a source of foreign exchange and government revenues, and to stimulate job creation by giving freer rein to the private sector. Since the early 1980s the government's strategy has been generally successful in enhancing the country's economic performance. Growth in real gross domestic product has exceeded five percent every year since 1986, and was above seven percent in both 1989 and 1990. Due to the government's success in promoting non-oil exports, the performance of the national economy is less closely tied to the price of oil: in FY 1981/82 oil and gas comprised more than 80 percent of export earnings and 70 percent of domestic revenues; in FY 1990/91 they contributed 43 percent of export earnings and 45 percent of domestic revenues. This progress has been achieved while holding inflation to single digit levels and maintaining a convertible currency for both current and capital account transactions. While underemployment remains a concern, job creation has generally kept pace with the rapidly expanding work force.

The government's wide-ranging reforms, known as "deregulation," are aimed at reducing burdensome regulations and administrative controls. The reforms have covered sectors such as banking and capital markets, taxation, customs, foreign trade, investment, transport, and telecommunications. The deregulation program has boosted economic performance and given the private sector a more prominent role in the economy. New opportunities for sales in export and domestic markets have resulted in rapid expansion of the non-oil manufacturing sector, which since 1983 has grown at an average annual rate of over 12 percent. Private investment has also been robust. Foreign investment approvals in 1990 exceeded $8.7 billion; domestic investment approvals were over $30 billion. Private fixed investment as a percentage of total fixed investment increased from about 50 percent in the late 1970s to 61 percent in 1990, underlining the growing role of the private sector in the economy.

Strong domestic demand, fueled by vigorous private and public investment, has strained limited infrastructure and pushed up inflation. Increased private sector borrowing from offshore to finance investment has heightened concern about Indonesia's ability to service the resulting higher levels of debt. In addition, the current account deficit in 1990 grew rapidly due to higher imports and slower growth in exports. In an effort to reduce inflation and curb the demand for imports, in mid-1990 the government responded by slowing monetary growth. In October 1991 it further decided to postpone several major projects financed with foreign commercial credits.

In the longer term, creating jobs for the country's relatively young population will pose a continuing challenge for economic policymakers. While the population growth rate has been reduced to just under two percent, an estimated 2.3 million persons will enter the workforce each year. The government estimates that creating jobs for these new entrants will require annual GDP growth of five percent or better for the foreseeable future. Another challenge will be completing and consolidating deregulation reform. Entrenched interests and restrictive regulations in certain sectors continue to pose obstacles to increasing the flexibility and efficiency of the economy. The Government, however, remains fully committed to the process of deregulation, and more deregulation packages are in preparation.

Fiscal policy: The Government is seeking to augment its limited funds available for development through efforts to increase tax collections; in each of the last three fiscal years, domestic revenues have increased by at least 30 percent. The Indonesian authorities are required in principle to maintain a balanced budget without borrowing from domestic sources; however, external debt payments and government salaries together account for about 70 percent of operating expenditures. Foreign donors therefore finance a major share of development expenditures through bilateral or multilateral aid programs. The current five-year economic plan assigns a large role to private sector investment as a source of financing for economic growth.

Monetary policy: In the conduct of monetary policy, the Central Bank buys and sells financial paper. The Government has on occasion ordered state-owned enterprises to withdraw deposits from the banking system. It also provides subsidized credit to financial institutions lending in target sectors. In early 1990 the government announced its decision to phase out these credits and further restricted new credits to a few priority sectors; between January 1990 and September 1991, outstanding liquidity credits declined almost 20 percent, from Rp 16.2 trillion to Rp 13.5 trillion (approximately $6.9 billion). In 1988 reserve requirements were cut from 15 percent to 2 percent. Indonesia imposes no capital controls.

(...).

8. Worker Rights

(...).

f. Rights in Sectors with U.S. Investment

Application of legislation and practice governing worker rights is largely dependent upon whether a particular business or investment is characterized as private or public. U.S. investment in Indonesia is concentrated in the petroleum and related industries, primary and fabricated metals (mining), and pharmaceuticals sectors.

Foreign participation in the petroleum sector is largely in the form of production sharing contracts between the foreign companies and the state oil and gas company, Pertamina, which retains control over all activity. All employees of foreign companies under this arrangement are considered state employees and thus all legislation and practice regarding state employees generally applies to them. Employees of foreign companies operating in the petroleum sector are organized in KORPRI. Employees of these state enterprises enjoy most of the protection of Indonesian labor laws but, with some exceptions, they do not have the right to strike, join labor organizations, or negotiate collective agreements. Some companies operating under other contractual arrangements, such as contracts of work and, in the case of the mining sector, cooperative coal contracts, do have unions and collective bargaining agreements.

Regulations pertaining to child labor and child welfare are applicable to employers in all sectors. Employment of children and concerns regarding child welfare are not considered major problem areas in the petroleum and fabricated metals sectors.

Legislation regarding minimum wages, hours of work, overtime, fringe benefits, health and safety etc. applies to all sectors. The best industrial and safety record in Indonesia is found in the oil and gas sector.

Extent of U.S. Investment in Goods Producing Sectors

U.S. Direct Investment Position Abroad on a Historical-Cost Basis - 1990 (Millions of U.S. Dollars)

Category	Amount
Petroleum	3,209
Total Manufacturing	135

Food & Kindred Products	(D)	
Chemicals & Allied Products	72	
Metals, Primary & Fabricated	10	
Machinery, except Electrical	(D)	
Electric & Electronic Equipment	-1	
Transportation Equipment	0	
Other Manufacturing	(D)	
Wholesale Trade		(D)
TOTAL PETROLEUM/MANUFACTURING/WHOLESALE TRADE		(D)

(D)-Suppressed to avoid disclosing data of individual companies

Source: U.S. Department of Commerce, Survey of Current Business
August 1991, Vol. 71, No. 8, Table 11.3

HUMAN RESOURCES DEVELOPMENT TO SUPPORT INDUSTRIALIZATION IN INDONESIA

SUKADJI RANUWIHARDJO

Introduction

The fast growing economy of Indonesia in the last twenty years has gone hand in hand with basic structural change from agricultural towards more industrial based economy. The contribution of agricultural sector in the Gross National Product has declined from 45 percent in 1970 to 19 percent in 1991, while industrial sector grows from 19 percent to 41 percent during the same period. Manufacturing sector has increased from 10 percent to 21 percent with annual growth of 12.3 percent for the period of 1980-1991. The service sector also increases from 36 percent in 1970 to 39 percnt in 1991. So far, Indonesia is not belonged to the club of new industrializing country in East Asia, yet the structural change and growth of the economy has created a fundamental impacts on the national economic, sociocultural and emerging political lives. To sustain further economic development in the fast progressing sciences and technology and the global interdependencies of the world economies, Indonesia has to develop all her potentials to survive in a highly competitive world market. One of the crucial factor of this development is human resources. This paper deals with prospects and problems as well as measures needed to enhance human resource quality and capability to support the transformation of Indonesian economy toward industrial one.

Labor Force Profile

With total population of 181.3 millions in 1991, and total labor force of about 73 millions, the quality of this labor force is relatively very low, if it would be judged from its training background.

Labor Force by Educational Attainment 1989 (in thousands)

Level of Education	Total	Percent
Primary School	58,179	80.23
Junior Secondary School	5,936	8.19
Senior Secondary School	7,182	9.90
Diploma Program (up to D3)	748	1.03
S1 Program	472	0.65
Total	72,518	100.00

Source: Bappenas-Depnaker-Depdikbud-BPS, 1990

Even if there was no tight correlation betwen the quality of labor force and its educational background, yet we could reasonably infer that about 90 percent of our labor force with a maximum training of junior secondary school are not able to adapt themselves to the ever changing job requirements due to advancing technology. We are now facing educational dilemma in higher education. While only about 2 percent of the labor force enjoying tertiary education, there are already some indications of university graduate unemployment, or at least their waiting time to land a job is getting longer. People think that those who face difficulty in finding iob are graduates in social sciences and humanity. In fact the problem is more serious. Graduates from engineering programs such as civil engineering and architecture, agriculture and animal sciences also have difficulty in the job market. The constitutional provision that every citizen has the right to education has been interpreted and adopted into policy of equal access and equity in education at all levels. The fast growing private institutions in higher education in the 80's reflects the political surge among community groups to provide tertiary education for secondary school leavers who are not admitted at public universities. The enlargement of the tertiary education student body as also been part of the government polycy to increase the participation rate or the popuiation at the age bracket between 19-24 years in post-secondary education. In the Fourth Five Year Plan (1984-1989) the target was set at 8.2 percent, and for the Fifth Five Year Plan (1989-1994) the target was put at 11.3 prcent. Over the period of five years (1989-1994) the student body in higher education has increased from 1.7 million to 2.2 million or about 29.5 percent. It is true that the participation rate in Indonesian higher education is the lowest among Asean member countries. This also becomes one of the political reasons to enlarge admission in post-secondary education. Since the government budget is limited, the gap has been filled by the private sector. The approach on the supply side only, however, creates a problem of over-production of higher education output. (...).

Return to Education in Indonesia

Market Signal for 1988

Level of education:	Real rate of return(%)	Unemployment rate 26-35 yrs(%)	Mampower requirement 1989-1993 (thousand)
Primary and under	13	0.7	-5,217
Junior second.	13	2.6	- 289
Senior general	13	3.7	+ 779
Senior vocationa	10	2.0	+ 491
University	6	7.8	+ 457

-denotes projected shortage;+ denotes projected surplus

Source: McMahon and Boediono (1991)

The above information reveals a sharp drop in the return of university education to 6 percent; this follows the relatively high unemployment rate among university graduates at 7.8 percent during the period of fast growing private universities. Indonesian industrial develoment nowadays is still in a very early stage. Most of the manufacuring production such as automatives, electronics, and machine tools are assembling activities. These kind of business employ just a limited number of graduate engineer for production supervision. Production technologies are mostly imported. New product design and development based on in country rsearch and development is still very rare. Indonesian manufacturing mostly based on the relative comparative advantage of cheap wage labor. This is usually combined with low level of technology. Lack of a clear science and technology policy for industrialization and highly dependent on foreign capital investment makes Indonesia a country to accept relocation of foreign industries that labor intensive and low technology. The importance of middle-level skills is widely recognized, but there are different view whether training should be provided before or after employment and on what extent it should be financed from the government budget and conducted by public institutions. Two major factors are generally considered as dominant in the quality of the labor force. One is labor productivity, and the second is the labor flexibility i.e. the ability of the workforce to move across sctors of the economy and between industries as the structure of the economy changes. The higher a country's labor productivity and the more flexible its workforce, the better able that country is to acquire and adapt the technology for better quality of goods and services at lower cost and to shift the structure of production to new market and product. Workers use a wide range of general and specific skills. When the complexity and responsibilities of jobs increase, specific manual skill becomes less important than higher order conceptual skills and theoretical knowledge. The cost of more specific preparation for employment can be higher than of genral or academic education, but it may be justified when the value of increased earning (both for the worker and the employer) exceeds the cost of training. Developing countries face two enormous challenges: improving productivity under severe constraint of resources and responding to competing demand for public education , improving the access to and the quality of basic education. At the early stage of industrialization improving the productivity and rlexibility of middle-level labor force is the very important. Who should do this? It is common rsponsilities of the government, private institutions, and business employers. To be best adapted to the market signals skill training should not centrally designed and centrally regulated. Dynamic changes in the job market require dynamic responses in the training programs. In many cases it can be done in cooperation with business enterprises.Central regulation tends to make changes more difficult. The availability of highly productive and flexible middle-level labor force lays a strong base for higher technology industries. This is not to say that we have to wait to develop good quality higher education until later stage of industrial development.

Higher education plays an important role in developing society. Great believers in education even claim that higher education has acted as agent of change in the third world, due to scarcity of well-educated human resources outside the university circle, at least in its early phase of development. Smelser indicates what Talcott Parson's theory postulates that any society has to devote a portion of its resources and energies to maintain the integrity of its culture and to socializing the coming generations accoring to its dominant values. A certain level of consensus on the dominant ingredients of culture is both necessary and desirable for social integration. The institutions that are central in maintaining and transmitting those cultural traditions are religion, family, and education. The modern nation-state struggling to maintain itself by the perpetuation of its national culture is being harassed both from above (global cultural forces) and from below (sub-nation,regions, premordial groupings), and the nation's educational system can be regarded as the crucial resource for its resolution. At more technical level higher education in developing country has been a training ground for government administrators and the emerging political elites. Early development of higher education started with humanities and social sciences, then followed by technical education such as medicine, agriculture, engineering, and sciences. The relatively short history of Indonesian higher education has scored some notable credit in agriculture (in the Green Revolution in the 70's), in medicine (eradication of mass deseases and recently in more sophisticated medical treatments), and in civil engineering. The functional link between higher education and the economy so far has not been clar, where low-skilled and semi-skilled occupation predominate. More validity is expected at later stages with high technology and developed service sector. The final count of functional relationship between higher education ang the economy is not that education provides straightforward skill so much as it does build attitudes and habit of discipline essential for performing the economy.

Partnership of Higher Education with Industry

Basic tenets of university management are cost effective, efficient (high rate of internal efficiency), maintaining good quality, and its programs are relevant toward social demand aside of its basic mission in developing sciences. These tasks are difficult to fulfill, especially when financial resources are limited, and scientific personnels are not easily available due to tight competition with industry for highly paying positions. Some people maintain that academia and business are unlikely partners. The key difference lies in their attitudes toward knowledge. Higher education traditionally sought knowledge as an end in itself, whereas business operates under the profit motives. In universities research programs are more in basic and long term programs, .While in business similar activities are more applied in character for product orientation and for short period.

It has been realized, however, especially in industrialized countries, that in the long run to maintain technological superiority it is very important to make substantial investnent in the basic research that will support the next generation of technology. It is probably the factor that gives the strong impetus for more industrial sponsorship of university researches.

The ideal university involvement in the economic activities is the strategic use of knowledge-based resources to assist the business communities. Appropriate roles can be based on teaching, research, or public service - whatever an institution can best contribute. From the university view point, the need to cooperate with business first of all is to improve their financial situation; and secondly to increase the relevance of their programs through invitation of business leaders as part time teachers. From the business side there are also reasons why cooperation with university proved to be beneficial. First is to meet corporate product, service, or management needs for continuous improvements. Second is to gain some access to personnel where talent is rare. Third is to have access for upgrading of professional staffs, and fourth is to ease research and development investment, and to keep corporate research cost effective. While mutual benefits from university and business partnership can be substantial, to start the cooperation can be tedious, especially in the early stage of industrialization. Mutual trust and understanding from both side have to be built to lay strong basis for closer cooperation. In case of Indonesia, where business has easy access to international expertice for their short run situation (through technological licencing) university should take an active role in initiating the partnership with industry. The technology transfer is the immediate objective; then domestic technology production is an absolute requirement for further industrialization in a very highly competitive world.

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NEW DEVELOPMENTS ON LABOR RIGHTS

Asia Watch
January 24, 1994
Vol.6, No.1

Even as the Indonesian government repealed a controversial decree and stated its concern for the welfare of workers, Asia Watch continued to receive reports of labor rights violations. On January 16, 1994, one day before the arrival of U.S. Treasury Secretary Lloyd Bentsen and less than one month before the U.S. Trade Representative's office must recommend whether or not to revoke tariff benefits given Indonesian exports to the United States under the Generalized System of Preferences (GSP) program, Indonesia's Minister of Manpower announced the repeal of Decree No.342 of 1986. That regulation authorized military interference in the settlement of labor disputes. But as the legal basis for such interference was thus being eroded (but not removed), developments in the highly publicized case of the murder of a labor organizer, Marsinah, were raising new questions about the military's role.

The Minister of Manpower also announced that organizations other than the one officially-recognized government union would be permitted to engage in collective bargaining. Formidable obstacles to the recognition of independent unions, however, remained in place, and incidents of harassment against members of the Serikat Buruh Sejahtera Indonesia (SBSI), a non-government union, continued.

The Indonesian government on December 24, 1993 announced that the minimum daily wage would be raised twenty-seven percent to Rp.3,800, effective January 1. Asia Watch does not monitor wages and working conditions, per se, except insofar as they constitute violations of political and civil rights (as in the case of bonded labor). It is worth noting, however, that in reaction to the announced increase, Indonesian economists agreed that it was still below the amount necessary to meet basic physical needs.

No effort has been made, to Asia Watch's knowledge, to investigate reports of debt bondage among workers in Irian Jaya. Recent press reports suggest that the practice continues unchecked.

Repeal of Regulation 342

One of the main issues of contention with regard to labor rights in Indonesia has been military interference in labor disputes. One of the key legal grounds for this interference since 1986 has been Ministry of Manpower Decree No.342 of 1986 (Kep.342/Men/86), "Guidelines for Mediating Industrial Labor Disputes, Especially Those Regarding Overtime, Strikes, Contract Labor, Dismissals and the Change in Status or Ownership of Companies." That regulation was officially repealed on January 16, 1994 with the issuing of a new ministerial decree, No.15A/1994.

Labor and human rights groups in Indonesia generally welcomed the decision but pointed out that as long as the internal security agency BAKORSTANAS and its regional branches continued to have a broad mandate under Decree No. 02/Stanas/1990 to keep an eye on and if necessary, intervene in strikes and demonstrations in the interests of political and social stability, the repeal had little significance. The Indonesian Legal Aid Foundation cited the intervention of the military in a strike of 8,300 workers on January 17 -- the day after the repeal of Decree 342 -- at the PT Naga Sakti Parama Shoe factory in Tangerang, West Java, as evidence that little had changed.

Indeed, the Jakarta military commander, Major General Hendropriyono, warned that repeal of the regulation "does not mean the army won't be paying attention to labor issues." If "difficult" issues arose where a party requests assistance from the military, the military would still get involved. Asked if repeal of the regulation meant that the army was reducing its reliance on the "security approach" to political and social problems in Indonesia, the commander responded by comparing the repeal with the purported change in 1988 in the internal security agency. (Since that change was in name only and had virtually no impact on the operation of the agency, General Hendropriyono seemed to be implying that repeal would make little difference.)

When the announcement of the repeal was made, a petition was pending in the Supreme Court to declare the regulation illegal. The petition had been submitted in August 1993 by four human rights lawyers, acting on behalf of four workers. The lawyers said they would not withdraw their petition, as they still were seeking a formal response from the Court. They also wanted to establish the principle of judicial review of ministerial decrees that have the force of law.

The petition underscores why the regulation was considered so injurious to labor rights. The plaintiffs argued that it was contrary to the provisions of two earlier laws, Law 22 of 1957 on Resolution of Labor Disputes, and Law 12 of 1964 on Dismissals of Workers in Private Companies. They raised in particular Article II 2(3) of Regulation 342. In the case of wildcat strikes, this article gave labor mediators the authority to:

> relay an announcement from the company that workers had to return to work within a specified time and require workers to fill in a form indicating their readiness to return to work.
>
> determine sanctions to be imposed on striking workers, including not paying them wages for the duration of the strike
>
> state that any workers who did not want to work were displaying an attitude indicating that they did not wish to continue in a work relationship and they had no need of work.

These provisions, the lawyers argued, changed the role of mediators from the Ministry of Manpower from neutral and objective arbiters to defenders of the company's interests.

The same Article II authorized a labor mediator to coordinate with the local government, police and military to prevent the use of violence. The plaintiffs argued that this provision opened the way to interference by the military and police in labor actions that were carried out peacefully, without the use of force. If violence broke out, they argued, it should be dealt with according to the provisions of the Criminal Procedure Code, not by institutionalizing a role for the armed forces in the resolution of labor disputes.

To give a role to the military, they said, clearly violated Articles 3(1) and 4(1) of Law 22 of 1957. Those provisions stated that if negotiations break down and the parties do not intend to turn the dispute over to a separate party for arbitration, they must send a letter to the appropriate government official informing him or her of this fact. "Informing" means requesting that official to mediate the dispute, and mediation must then be offered. After receiving the request, the official must investigate the positions of the disputing parties and the cause of the dispute. Within seven days of the receipt of the letter, mediation must take place according to the regulations set by the Regional Committee for Dispute Resolution. Thus, mediation comes at the request of one of the disputing parties, not by fiat from the mediator.

Regulation 342 also was contrary to Law 12 of 1964, the plaintiffs said. That law states that if all efforts to settle a dispute fail, the employer must discuss its intention to dismiss workers with the labor union involved or the workers themselves if they are not members of a union. If that discussion does not result in an agreement, the employer can only dismiss workers after obtaining a permission from the Regional Committee for Dispute Resolution.

The lawyers argued that Regulation 342 had violated the rights of their four clients, including the right to negotiate a settlement to a labor dispute; the right to work, since they had been dismissed arbitrarily by their boss; the right to strike; and the right to be free from the fear that accompanied intimidation by the army and police.

The Marsinah Case: Military Interference in a Different Guise

If one key legal underpinning for military interference has now been formally removed, the practice will be harder to eradicate. The problems are well illustrated by the government's handling of the Marsinah case. Marsinah was a young woman labor organizer murdered in May 1993 in East Java. The murder galvanized the movement for labor rights as no other incident has in memory. Suspicion from the beginning center on senior figures in the watch factory, PT Catur Putra Surya or CPS) where Marsinah worked, and members of the local military, but it was not until October 1993 that any arrests in the case were made. When the details of the killing came out in the press, it seemed a textbook example of unscrupulous factory owners suppressing a nascent labor movement with marginal support from the military.

But questions soon began to emerge about whether the factory owners were being framed to protect the military.

The details of Marsinah's murder as presented by the prosecution were as follows. On May 5, at about 4:30 p.m., a group of CPS managers gathered in the office of the director of the CPS plant in Porong, Sidoarjo, East Java, where Marsinah worked, and plotted her death. Earlier that day, Marsinah had sent a letter to the factory management, protesting the firing of thirteen employees after they went on strike, demanding an increase in wages and threatening to expose the production at the factory of false name brand watches. That evening, a security guard at the plant named Suprapto came to the dormitory where Marsinah lived about 9:30 p.m. and invited her out to eat. She got on the back of his motorcycle and was then driven to an intersection where a company-owned car was waiting. In the car sat Ayip Karyonowongso, the head of production at the CPS factory; Bambang Wuryantoro, a general supervisor there; Captain Kusaeri, the commander of the Porong subdistrict military command; and two others. Marsinah was told she was being taken to the house of the managing director of CPS, Yudi Susanto, on Jalan Puspita 8, Surabaya, to discuss a letter she had written protesting the firings. On the way she was bound and gagged. At the house she was tied to a chair, left for three days without food and water, beaten and tortured. On May 7, the group who abducted her, led by Ayip, decided to take her to Nganjuk, where she was taken out of the car and killed. An autopsy showed she had bled to death. A sharp instrument had been inserted in her vagina, reportedly on Yudi Susanto's orders, so that her death would look like a rape-murder, rather than a result of her labor activism. A woman named Mutiari, aged 26, head of personnel for CPS, was also arrested, charged with knowing of the plot to kill Marsinah and failing to report it to the authorities.

For months, nothing seemed to happen in the case. Then, very suddenly, eight people connected to the company and one local military commander were arrested, but the arrests of the civilians violated both domestic and international law. On October 1, a group of men believed to be soldiers took the eight into custody in an operation that amounted to abduction. The men were not wearing uniforms, had no warrants and did not inform the families of the accused where they were being taken. For eighteen days, the families had no word of their whereabouts; they were finally told that their relatives were being held at the regional police headquarters in Surabaya. Warrants were finally issued at the same time. All of the detainees were interrogated by the military without counsel present and at least one of the detainees claims to have confessed under extreme duress. In November, Mutiari became the first of the alleged conspirators to go on trial.

Captain Kusaeri remains in detention at the military headquarters of the 5th Military Division (Brawijaya) in Surabaya. He claims he had no knowledge of the intent to murder Marsinah and was in the company car only because he wanted a lift to Sidoarjo, and when others talked of "getting rid of" Marsinah, he thought they meant they wanted to transfer her. He is expected to be charged in a military court not with complicity in the crime but with failing to report his knowledge of the case to his superiors. He admits having been paid sums of money each month by the director of the Porong plant.

Another military officer, Captain Sugeng of the intelligence unit of the Sidoarjo district military command (KODIM 0816 Sidoarjo), is also expected to be prosecuted in a military court for his role in the firing of the thirteen workers; he was reportedly paid Rp.250,000 ($125) for the job. His superior, the KODIM commander, is being transferred.

Indonesian human rights lawyers suspect that involvement of the army is in fact much deeper than published accounts of the actions of Captains Kusaeri and Sugeng would suggest, and the eighteen-day disappearance of the company employees was designed to give military officers a chance to build a bogus case out of coerced confessions. A lawyer for one of the defendants, who is expected to argue for the dismissal of his client's case, has received threatening telephone calls, warning him that he had better drop the case.

Tempo, a leading news magazine, has speculated that the reason for the extraordinary procedures used in the arrest of the eight civilians, which violated Indonesia's own Criminal Procedure Code as well as international standards banning arbitrary arrest and detention, may have been the U.S. threat to withdraw GSP benefits. That pressure, it said, turned a criminal case into a highly-charged political one.

Harassment of SBSI members

Numerous incidents of harassment of SBSI members were reported in late 1993 and early 1994.

Adi Wiyono, head of the SBSI branch in Jombang, East Java, tried to renew his KTP (identity card) in July 1993, and subsequently in October and December. Each time he was told that unless he resigned from SBSI, his card would not be renewed. A valid KTP card, which must be renewed every two years, is critical to everything from applying for a job to opening a bank account.

In November 1993, military officers from the KOREM (regional military command) warned the head of SBSI in Pematang Siantar, North Sumatra, that he had better resign from the union.

On December 27, in Bandar Lampung, South Sumatra, the branch-level office (DPC) of SBSI held a meeting to inaugurate the opening of a plant-level "commissariat" of SBSI at the C.V. Bumi Waras plant -- which, according to SBSI, now has 600 employees as members. On January 4, the commissariat reported the new SBSI presence to the management of the factory. That afternoon, 11 SBSI members were sacked:

1. Ujang Komara, chairman
2. Sontris Wibowo, vice-chairman
3. Deliman, secretary
4. Asdiana, vice-secretary
5. Sobirin, treasurer

6. Hanifah, vice-treasurer
7. Sabirin, coordinator
8. Julianto, coordinator
9. Ersondy, coordinator
10. Dodi, staff
11. Umar, staff

Moreover, four of them (Ujang Komara, Sontris Wibowo, Deliman and Sabirin) were summoned by police and ordered to withdraw from SBSI. They were interrogated and warned three times: on January 8, from 12:30 p.m. to 8.30 p.m.; on January 11 from 9 a.m. to 6 p.m.; and on January 12, from 9 a.m. on. (We received this news on January 13 and do not know how the interrogations ended.)

On January 6, three soldiers appeared at SBSI headquarters on Jl. Tegalan in Jakarta, when Muchtar Pakpahan, secretary general of SBSI, was meeting with the Jakarta-based representative of the Asian-American Free Labor Institute and Gary Moore, vice-president of the American Federation of State, County, and Municipal Employees. The soldiers kept the meeting under surveillance but did not attempt to break it up. (...).

Conclusions

Increased industrial unrest, activism on the part of non-governmental organizations and international pressure have resulted in some useful but inadequate measures by the Indonesian government to address violations of internationally-recognized worker rights. Freedom of association remains restricted, and harassment of independent labor activists continues. Military interference in labor disputes remains possible under an internal security agency decree; the repeal of Ministry of Manpower Decree No.342 is welcome, but it will have to be judged in terms of whether it in fact results in a reduction in military oversight of labor negotiations, dismissals of workers, and interference in strikes. The statements of General Hendropriyono are not encouraging. Finally, reports of bonded labor in Irian Jaya have not been investigated. Indonesia has made some tentative steps in the right direction, but it has a long way to go.

INDONESIA: TAX SHORTFALLS

SOURCE: OXFORD ANALYTICA
Updated On:Monday, January 10, 1994

EVENT:

President Suharto last week unveiled the fiscal 1994/95 budget.

SIGNIFICANCE:

Anticipating revenue shortfalls, the government is seeking to slow expenditure increases. However, the low oil price and the weakness of the tax inspectorate raise doubts about the attainment of certain budgetary targets.

ANALYSIS:

On January 6, President Suharto presented the fiscal 1994/95 budget to parliament. As required by law, the budget balances revenues and expenditure, this year at 69.7 billion rupiah (33 billion US dollars). While this is up 9% in dollar terms over last year's budget, the rate of increase in government expenditure has slowed. In each of the last four years, expenditure has risen by 15%.

The key features of the budget include:

-- A 27% rise in domestic income tax. This is forecast to bring in 8 billion dollars, and is designed to finance the expenditure increase.

-- A 24.6% rise in revenue from the non-oil and gas sector. Receipts from this source are expected to raise 7.33 billion dollars, or 28% of total revenue.

-- A freeze on public sector wages. However, despite annual inflation of around 8%, the armed forces will receive a 66% rise in meal allowances.

-- A 9.5% fall in revenue from the oil and gas sector, as a percentage of total revenue. Receipts from this sector are expected to contribute 18.5% to total revenue. Last year, oil and gas revenue was 7.33 billion dollars.

-- A slight increase in debt service expenditure. Spending on servicing the government's 60 billion dollar debt (commercial debt is estimated at 30 billion dollars) is expected to be 8 billion dollars, or 25.31% of total revenue. The rise reflects last year's strengthening of the yen against the dollar (a large percentage of the external debt is denominated in yen).

-- A small increase in foreign aid contributions to 4.74 billion dollars. The bulk of this will go towards funding domestic infrastructure development.

In presenting the budget, the president highlighted some of the wider challenges confronting economic policy-makers. He stressed that the country could no longer rely on revenues from oil and gas, but that it must be self-reliant in financing development. Increasing tax revenue, he said, is the key to successful future budgetary management. In this year's budget, tax is slated to contribute 69% of total domestic revenues. Suharto noted that the government should easily achieve its goal of 6.2% GDP growth over the next five years (GDP growth of around 6.5% is likely this year). However, he warned that robust growth was negated by the 1.7% per annum population increase. Currently, around two million people enter the labour market each year.

Difficulties in three key areas threaten the attainment of budgetary targets:

1. Oil and gas. The contribution of this sector to government revenue and total exports has decreased dramatically over the past decade. In 1982, for example, it accounted for 80% of total exports by value, while by 1991 this had fallen to 40%. However, oil and gas revenue remains critical to servicing the foreign debt and balancing the budget.

The currently low oil price is thus cause for concern. Although budget calculations have been based on a 16 dollar barrel, the spot price of Indonesia's Minas marker crude is hovering between 13 and 14 dollars a barrel. Oil prices are set to remain weak for some months, and are likely to fall further. For every 1 dollar drop in the oil price, Jakarta stands to loose 300 million dollars in revenue. As an OPEC member, Jakarta has pledged not to increase its oil production beyond its current 1.5 million barrels per day (bpd).

The decline in foreign investment in the oil sector last year also points to continued revenue difficulties. Despite incentives for contractors working in the high-cost, deep-sea frontier zones of eastern Indonesia, the number of wells drilled there numbered only eight last year. This was less than half the targeted number.

The high cost of exploration and the ongoing dispute between Portugal and Australia over the 'Timor Gap' are deterring investors. Failure to attract new investment raises the risk of the country becoming a net oil importer by the end of the century. The consequences for debt servicing and the balance of payments would be serious.

2. Foreign investment. Foreign investment approvals last year fell 30% on a year earlier. Factors behind the decline included:

-- the increased attractiveness of the Chinese and Vietnamese markets;

-- the country's low capital to output ratio, particularly because of infrastructure bottlenecks and a shortage of quality labour; and

-- political uncertainties over Suharto's future (see OADB, December 14, 1993, IV).

A number of major foreign investors are restricting their investment to the current five-year (1993-1997) mandate of the president. Notwithstanding last October's deregulation package, these considerations will continue to depress foreign investment in fiscal 1994/95.

3. Fiscal administration. Attempts to widen the tax base and improve collection are likely to encounter difficulties. The country's tax collection performance falls well short of standards reached in other ASEAN countries. The fiscal inspectorate is over-stretched and notoriously corrupt. Numerous loopholes for concealing income exist. Thus, increasing income tax revenue receipts by 27% in fiscal 1994/95 will be difficult.

According to some estimates, over 30% of government funds in the development section of the budget are lost to institutionalised corruption. 'Contract manipulation' (the over-charging for goods and services) is particularly common. Pervasive corruption is also likely to undermine attempts to widen the tax base.

CONCLUSION:

Increasing revenue from the non-oil and gas sectors, and a widening of the tax base, are crucial for future budgetary stability. Without an overhaul of the tax inspectorate, however, progress will be slow.

THE INDONESIA TEST

Editorial, New York Times, Jan 15, 1994, p. 14

Can the United States use the threat of trade penalties to get authoritarian governments to treat their own people with more respect? Indonesia presents an important test case.

The Clinton Administration must decide by next month if Jakarta has relaxed its repressive labor policies enough to warrant renewal of a special U.S. trade preference that allows $650 million worth of Indonesian goods to enter the United States duty-free.

Congress decided in 1984 that the preference, meant to help developing countries, should be withheld from those that fail to maintain minimum international standards of labor and union freedom. Since then, several countries have seen their privileges temporarily suspended.

But under Presidents Reagan and Bush, the penalty was very sparingly applied. By taking on Indonesia, a large regional power and part of the dynamic East Asian growth region, the Clinton Administration intentionally signalled a new course.

Already the threat of penalties has had good effect. Over the past few months Indonesian has announced a series of steps expanding labor union rights and raising minimum wages for some of its poorest workers. No one seriously believes these steps would have been taken now were it not for the CLinton initiative.

But are these advances enough to justify renewal? Indonesian labor activists still face severe repression, including harsh prison sentences, military intervention in strikes and restrictive rules on union democracy and jurisdiction.

The Administration will make its decision based on what Treasury Secretary Bentsen reports after a two-day visit to Indonesia that begins tomorrow. The right criterion should not be whether Indonesia has eliminated all remaining abuses, but whether Bentsen believes it is now committed to continued reform and liberalization.

HAJI JOHANNES CORNELIUS PRINCEN, born on November 21, 1925, in Den Haag, Holland became an Indonesian citizen in September 1948 after assisting in the struggle for Indonesian independence. Haji Princen, raised and educated in Holland, was imprisoned from 1943-44 by Germany. After prison, he was recruited by the Dutch Army and sent to Indonesia. In 1948, H. Princen joined the Indonesians in the colonial revolution against Holland. From 1948-49, he was part of the Siliwangi Division of the Indonesian Armed Forces. On October 5, 1949, Indonesia's first president, Soekarno awarded him a Guerrilla Star. In 1950, Princen successfully led an attack on the separatist army of Angkatan Perang Ratu Adil. In 1953, Princen went to Mecca to celebrate his conversion to Islam. In 1956, Haji Princen entered the Indonesian Parliament. From 1958-59, Princen was imprisoned for his implication in the Permesta Rebellion. From 1962-66, Princen was imprisoned by President Soekarno for his criticism of the president.

In 1966, H. Princen established the Institute for the Defence of Human Rights in Indonesia. Since that time, Princen has continued as Director of the institute. From 1966-72, H. Princen was imprisoned several times for his involvement in the student movement. In 1970, H. Princen joined in establishing the Indonesian Legal Aid Foundation. From 1974-76, H. Princen was imprisoned in connection with the Malari Incident. In 1978, H. Princen was imprisoned for disturbing Parliamentary sessions. In 1984, H. Princen acted as a defence lawyer in the case of Tanjung Priok. In 1991, H. Princen was forced to meet regularly with regional military command for intensive interrogations relating to the demonstration of East Timorese students after the November 12, 1991 massacre in the Santa Cruz cemetery in Dili, East Timor.

Princen, affectionately called Ponke, has played an active role in the political development of Indonesia and continues to be a strong advocate for greater democratic rights in Indonesia.

The Indonesian Institute for the Defence of Human Rights was founded by a group of Indonesian lawyers, who took this initiative in order to improve the conditions and implementation of human rights, which had deteriorated since the proclamation of Indonesia's independence on August 17, 1945.

INSTITUTE FOR THE DEFENCE OF HUMAN RIGHTS
Jl. Kramat Asem Raya No.37, Jakarta 13120. INDONESIA
Phone (0062-21) 8583646

A CRYPTIC DICTATORSHIP

WHERE ALL POWER IS IN THE HANDS OF MILITARY

Presented at the 45th session of The Sub-Commission on
Prevention of Discrimination and Protection of Minorities
(2 - 27 August 1993)

by

H.J.C PRINCEN
Director of
INSTITUTE FOR THE DEFENCE
OF HUMAN RIGHTS IN INDONESIA

Presentation of The Indonesian Delegate

Published by

INFIGHT

Indonesian Front for The Defence of Human Rights

A CRYPTIC DICTATORSHIP
Where All Power is in The Hand of Military

H. J. C. PRINCEN

Respected Chairperson and Members of the Sub-Commission for Human Rights. First of all, I want to express my gratitude for the opportunity to speak to this commission on behalf of human rights activists in Indonesia.

I have been the Chairman of the Indonesian Institute for the Defense of Human Rights since its birth on April 27, 1966. The Indonesian Institute for the Defense of Human Rights was founded by a group of Indonesian lawyers, who took this initiative in order to improve the conditions and implementation of human rights, which had deteriorated since the proclamation of Indonesia's independence on August 17, 1945.

THE GHOST OF COMMUNISM

The establishment of the Indonesian Institute for the Defense of Human Rights coincided with the beginning of the **New Order**, which promised to return to the Rule of Law in line with the provisions of the 1945 Constitution which declared that Indonesia is a State governed by **Law**, and *not* by **Force**. However, sad to say, the beginning of the New Order was marked by massacres of thousands of people, who were members or supposed members of the then official communist party.

Many people, including many farmers and workers, were captured and detained for years without due process of law, as required by Indonesian Law and Regulations. The Ghost of

The extra-legal internal security agency, KOPKAMTIB, was formed to make possible the capture and detention of suspected dangerous elements.

Communism was exploited to instill fear in anyone who might not fully agree with the way the New Order government interpreted its promises made in 1966 and 1967.

Although the country was not put under martial law, the government exercised others means to subject its citizens to its will.

Under coercion, the Parliament adopted an anti-subversion law, namely, Presidential Instruction No. 11/1963, which provided the government a free hand to suppress any elements who stood in the way of the government's policies.

AN ARMED POLITICAL PARTY?

According to Law No. 11/1990, the Army has the dual-function of defending the country from any foreign threats and upholding the purity of nationalistic ideals, such as the state philosophy, Pancasila (Five Principles).

The extra-legal internal security agency, **KOPKAMTIB**, was formed to make possible the capture and detention of suspected dangerous elements.

THE CASTRATION OF POLITICAL ACTIVITY

Five Policy Packages governing political affairs effectively smothered any political activity and have run contrary to Article 28 of the 1945 Constitution:

- The Law governing Elections;

The marriage of power, bureaucracy and economics virtually invited these armed agencies to act as protectors, and as a result, the free economy gave way to giant conglomerates that secured monopolies in practically all fields of business.

- The Law governing Political Parties and the GOLKAR Party;
- The Law governing the Formation of Parliament/People's Deliberative Council;
- The Law governing Referendums;
- The Law governing Public Organizations;

Two intelligence agencies, **BAKIN** and **BAIS**, made it possible to control every aspect of life, under the pretense of a continued, latent communist threat and the supposed need for extreme security measures to contain a **'communist come back'**.

It's not surprising that such extreme control did not allow for the formation of people's representative agencies capable of effectively and efficiently monitoring the increasing violations of the Law and the 1945 Constitution, culminating in a government, rife with misuses of power, corruption and nepotism.

The marriage of power, bureaucracy and economics virtually invited these armed agencies to act as protectors, and as a result, the free economy gave way to giant conglomerates that secured monopolies in practically all fields of business.

The establishment of two Parliamentary commissions in 1992, that is, the Human Rights and the Environment commissions, has not brought about many changes.

Political Justice is always marked by practices which result in unfair verdicts, through the coercion of witnesses *torture and intimidation.* Often, defense lawyers are not allowed to meet with the accused and aren't given the opportunity to summon witnesses a de-charge.

MASS MURDERS

Indonesia's invasion of East Timor in 1975, which resulted in civil war and famine, was not given much attention.

The execution of 5-10 thousand criminals by mysterious assassins also has not drawn much attention from the people's representatives who sit as members of these committees.

In 1984, the massacre of hundreds of demonstrators in Tanjung Priok and related cases was successfully covered up/suppressed by the authorities.

The military campaign going on in Aceh since 1989 has been effectively concealed until now. Thousands of people have been killed and wounded, while hundreds have mysteriously disappeared.

POLITICAL JUSTICE

Under the guise of the anti-subversive Law, hundreds of people have been accused of undermining the Pancasila and government authority. Several articles of the Criminal Law Code have also been used, such as: article 154 and 158 (spreading maliciousness against the government).

Those committing acts of subversion can be sentenced to death, spreading hate against the government holds a threat of 7 (seven) years imprisonment, insulting the President can re-

Aceh has been the scene of clandestine massacres by special troops, while thousands have been detained illegally and hundreds have simply disappeared without a trace.

sult in a sentence of 6 (six) imprisonment, and simply insulting a government official can mean a 1.5 year sentence.

Political Justice is always marked by practices which result in unfair verdicts, through the coercion of witnesses (torture and intimidation).

Often, defense lawyers are not allowed to meet with the accused and aren't given the opportunity to summon witnesses a de-charge.

The accused parties are forced to give witness against themselves, and they are forced to be witnesses against other accused victims.

Even though, the following lawsuits:

- The Yoygakarta Students lawsuit;
- The Madura lawsuit;
- The OPM Irian Jaya lawsuit;
- The ITB Bandung Students lawsuit;
- The Lampung, Bima and Jakarta Islam related lawsuits

Can not be discussed in detail here, these lawsuits give a general picture of Human Rights conditions in Indonesia.

Political justice in Indonesia does not comply with the norms of article 14 of the international covenant regarding civil rights in politics and although Indonesia, in fact, has not ratified this covenant, the values set forth therein can be used

But the group interests in question here involve the protection of syndicates, corruption and monopolies closely linked to the President and his supporters. These declarations are only another attempt by the powers that be to dupe the public.

as a guideline to determine the attitude of a certain government.

Accused parties in political trials can not exercise these rights. The courts trying these cases are not free or unbiased, and the principle of being **innocent until proven guilty**, just does not apply.

Sufficient time and opportunity to prepare a defense, as well as the right of consultation, is often very restricted.

Opportunity to question witnesses is also limited and confessions are often obtained through excessive force.

ACEH: A TRAGEDY!

A report on Human Rights can not overlook the Human Rights abuses which have continued in Aceh since 1989. Some Indonesians believe the conflict in Aceh must be viewed as a religious conflict. There are also those who feel the autonomy of the region has been neglected by the central government and that regional sources of revenue: natural go, oil and forestry products are mostly enjoyed by officials in Jakarta.

This was the region, who presented the republic of Indonesia with a Jakarta airplam already in 1945

Aceh has been the scene of clandestine massacres by special troops, while thousands have been detained illegally and hundreds have simply disappeared without a trace.

These former political prisoners are distinguished from normal citizens, as they are forbidden to work for the government or companies considered vital by the government, as well as in the military.

One must understand that these detainees are normally tortured to force confession and information regarding hideouts of Aceh Merdeka (Free Aceh) members.

According to reports received by the Legal Aid Association, during the various trials of plaintiffs and defendants, it was revealed that over 2,000 persons have been killed/died since 1989. Major General Pramono has be can accused of misconduct and it is likely that these dark pages of history of the Indonesian military will not be quickly forgotten.

PUBLIC FLATTERY

When the Parliamentary Commission on Human Rights was set up, a general Kharis Suhud stated that it was his hope that the committee would be able to erase the negative impression that the Indonesian government was guilty of violating Human Rights and that Indonesia felt that group interests were more important that individual rights.

But the group interests in question here involve the protection of syndicates, corruption and monopolies closely linked to the President and his supporters. These declarations are only another attempt by the powers that be to dupe the public.

Aren't the present presidential powers just a continuation or substitution for those of the former Dutch Governor General?

On the other hand, the media was expected to use their freedom of expression, but at the same time, be aware of their responsibility toward the government. Newspaper articles, radio and television broadcasts, reflected this warning very clearly.

The Governor General formerly had the extreme right of arresting and detaining Indonesians for an indefinite time.

A STATE GOVERNED BY ITS INTELLIGENCE AGENCIES

Indonesia can be said to be a State governed by its intelligence agencies, as everything is subject to surveillance and is often controlled by its various intelligence agencies (see Editor No. 6, July 31, 1993). There are still thousands of people, who although not imprisoned, are constantly monitored by the authorities.

Even though in 1989 most political prisoners of the Abortive Communist Coup of September 30, 1965 were released, their identity cards have been stamped with the initials E.T (Former Political Prisoners).

These former political prisoners are distinguished from normal citizens, as they are forbidden to work for the government or companies considered vital by the government, as well as in the military.

They must report to the local Neighborhood Association, Citizen's Association and Sub-District heads. In many cases, they are also required to report to local military bodies, generally the Army Military Police (KORAMIL). In addition, they are not permitted to leave their place of residence without per-

Organizations involved in the defense of human rights are able to provide a measure of "control" through letters of protest to the government and NGO organizations, both in and out of the country.

mission from the local officials. This greatly hinders communications and relations required to seek their daily sustenance.

This is very strange and surprising, particularly in light of the end of the cold war between the West and the East and improved relations between the Republic of Indonesia and the Republic of China, as well as the United States and the Republic of China.

On March 20, 1993, we (the Indonesian Institute for the Defense of Human Rights) wrote a letter to the President of the Republic of Indonesia, protesting such treatment of the Indonesian people, and calling on the President to pay attention to prevailing abuses of Human Rights. Also in a letter dated October 15, 1992, we requested that the Indonesian government reconsider regulations forbidding certain persons (without trial) from freely leaving the country.

After sending several letters to the President, the Minister of Justice, the Director General of Public Affairs requesting and calling for these old, weak political prisoners to be freed and able to peacefully await their departure to the next world with their families. The Indonesian government did not respond to any of these letters.

Although these things often happen in other countries, one must remember, that Indonesia prides itself on its Pancasila philosophy, in which the principle of humanitarianism ranks first place.

We invite the whole world to fight along with the proponents of democracy in Indonesia, using every possible fair and competent means available.

Indonesia fought for its independence from the Dutch during the 40's and according to the 1945 Constitution is subject to the law, something which is completely different in practice. It is clear that Indonesia attempts to act based on what it "likes and dislikes", instead of basing its actions on prevailing legislation, equitably applied to all its citizens (see the letter of the Indonesian Institute for the Defense of Human Rights, October 15, 1992).

Indonesia's lack of willingness to openly discuss human rights, is related to its fear of amending the 1945 Constitution.

Even though it might be considered fairly simple to amend the constitutions of other countries, this is not the case in Indonesia. Many Indonesians (not all) believe that their constitution is "divine", even though the constitution does not provide ample government protection of human rights.

Three years ago, President Soeharto did call on citizens to demonstrate a more open attitude and adapt more democratic values, among themselves and with the government.

On the other hand, the media was expected to use their freedom of expression, but at the same time, be aware of their responsibility toward the government. Newspaper articles, radio and television broadcasts, reflected this warning very clearly.

> **We want to emphasize in our witness at this time, the problem of large groups in Indonesia who estranged from the law and therefore encounter difficulty in meeting their daily needs.**

In Indonesia, only 40% of the people's representatives are chosen after being screened by the police or intelligence agencies/military regarding their political reliability.

CRITICISM IS LEFTIST

In Indonesia, if one questions controversial issues, the person can be labelled a "leftist" or a "liberal" and a threat to the powers that be.

In the last election (1992), Parliament Members, Marzuki Darusman and Roekmini Soejono, were not included in the list of prospective Parliament members, as they had expressed subtle criticism of the government.

We earnestly believe that in a country without freedom of expression, without freedom to congregate and without freedom to organize, then it is impossible to effectively monitor government activities.

In such a country, human rights are not possible, and it is sad that this is the state of affairs in Indonesia at this time.

Organizations involved in the defense of human rights are able to provide a measure of "control" through letters of protest to the government and NGO organizations, both in and out of the country.

A CRYPTIC DICTATORSHIP

We want to emphasize in our witness at this time, the problem of large groups in Indonesia who estranged from the

We earnestly believe that in a country without freedom of expression, without freedom to congregate and without freedom to organize, then it is impossible to effectively monitor government activities.

law and therefore encounter difficulty in meeting their daily needs.

This problem is related to the events of the 60's and is totally inappropriate in light of the fact that world political conditions and the internal political situation in Indonesia has changed drastically.

This does not mean that other incidents such as the repression in Aceh and East Timor, Irian Jaya and other places in Indonesia have not received our attention.

Indonesia is not a democratic nation, but a cryptic dictatorship, where all power is in the hands of the military.

We invite the whole world to fight along with the proponents of democracy in Indonesia, using every possible fair and competent means available.

Indonesia has a population of almost 200 million people and there is every possibility that Indonesia will have a significant impact on its own Region as well as other parts of the world. It will be truly unfortunate if these offenses are not nipped in the bud.